

Budgeting & Transportation **Overview**

Joint Appropriations Committee, Transportation



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

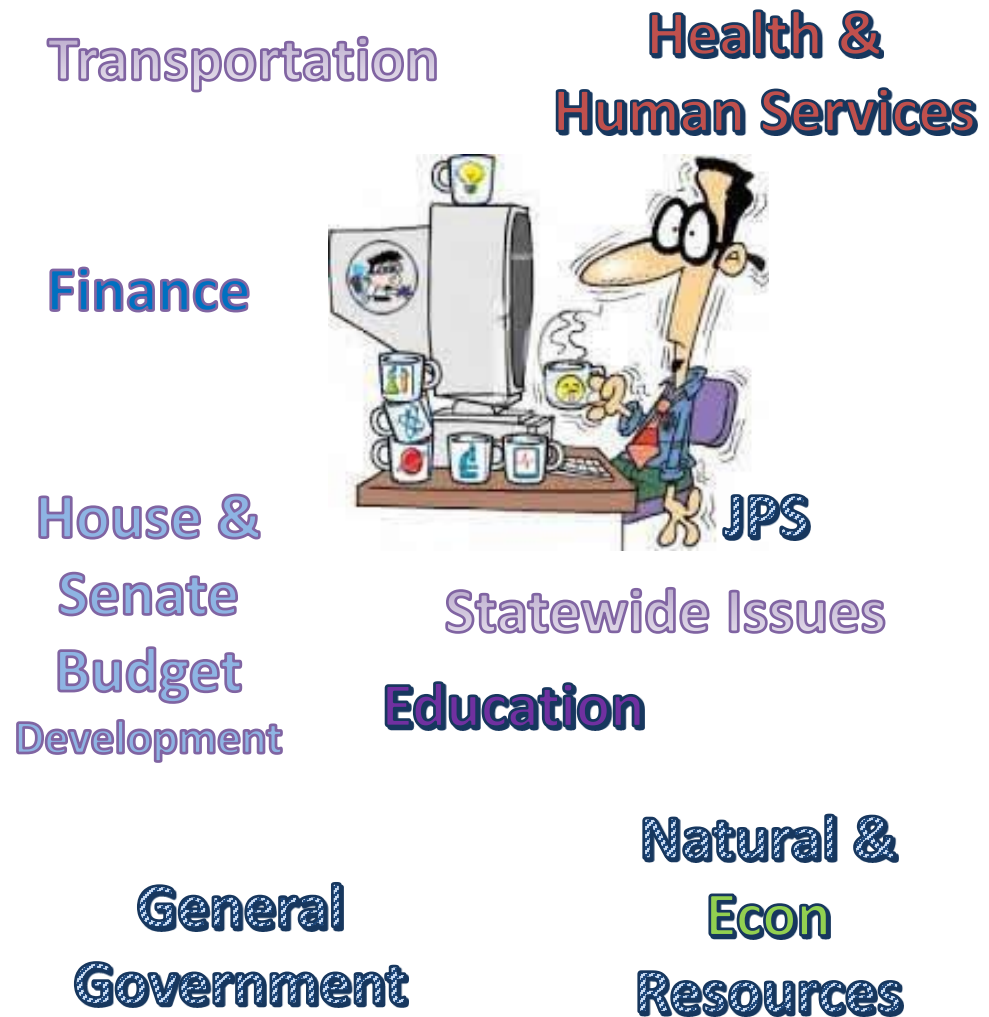
Outline

- Fiscal Research Division and Central Staff
- Fiscal Notes/Fiscal Memos
- Confidentiality
- Budget Terms
- End Product – Budget Documents
- Recent Legislation
- Full Chairs' Guidance
- Consensus Forecast
- Tentative Schedule



Fiscal Research Division

- Nonpartisan, professional staff serving all 170 members
- 32 analysts divided into 9 teams
- Primary responsibilities during Session:
 - Staff Appropriations Committees
 - Respond to member requests
 - Write fiscal notes, fiscal memos, and incarceration notes



Fiscal Research Division

Fiscal Notes

- Five-year analysis of all estimated fiscal effects of a bill
 - Prepare upon request of bill sponsor or other member
 - The request and information about the note will remain confidential until note becomes a public document

Fiscal Memo

- Same analysis as a Fiscal Note
- Usually prepared for draft bills or Proposed Committee Substitute (PCS)
- Remains confidential after completion

Incarceration Note

- *Required for proposed changes that may impact incarceration rates in State facilities.*



Fiscal Research Division

Fiscal note requests should be e-mailed to:

@Fiscal Note Requests

Include:

- **Requestor's name**
- **Bill number (or draft number for a memo or PCS)**
- **Short title**

Transportation Team

Lisa Hollowell:

Motor Fuel & Highway Use Tax Revenues
State Transportation Improvement Program
Highway Construction & Maintenance
Turnpike Authority
Central Administration
Powell Bill/State Aid to Municipalities

Mary Greeson:

Division of Motor Vehicles
Modal Divisions
Public Transportation, Ferry,
Bicycle/Pedestrian

Lisa & Mary: Rail, Aviation, Global Transpark, Ports
Authority, Visitor Centers, IT, Office of Civil Rights

Fiscal Research Division



FRD website:

<http://www.ncleg.net/FiscalResearch/>

- Annotated Committee Reports
- Fiscal Briefs
- Revenue Forecasts
- Staff listing



Bill Drafting Division

Joshua Freeman – Transportation Appropriations Committee

- Joshua.Freeman@ncleg.net
- (919)733-6660
- Special Provisions of the Budget
- Members' Bills related to:
 - Appropriations – Transportation Team Leader
 - Admiralty
 - Aeronautics
 - Alternative Energy
 - Commercial Transactions
 - Energy Conservation
 - Global TransPark
 - Motor Vehicles (Chapter 20)
 - Motor Vehicles Tax Navigation
 - Transportation and Highways (Chapter 136)

Legislative Analysis Division

Legal and other research, bill drafting, policy analysis and library services: <https://www.ncleg.net/RD/>

Program Evaluation Division

Program Evaluation Division:

- Conducts formal, longer-term studies of programs
- Evaluation components:
 - ✓ Performance audits
 - ✓ Activity-based costing
 - ✓ Strategic planning

John Turcotte, Director

- (919) 301-1404
- <https://www.ncleg.net/PED/>

Confidentiality

- **ALL requests made to fiscal staff and Bill Drafting are confidential**
- **Requests to agencies by fiscal staff are NOT confidential unless directly related to a fiscal note**



Budget Process

Preparation by Agencies

Preparation of Governor's budget

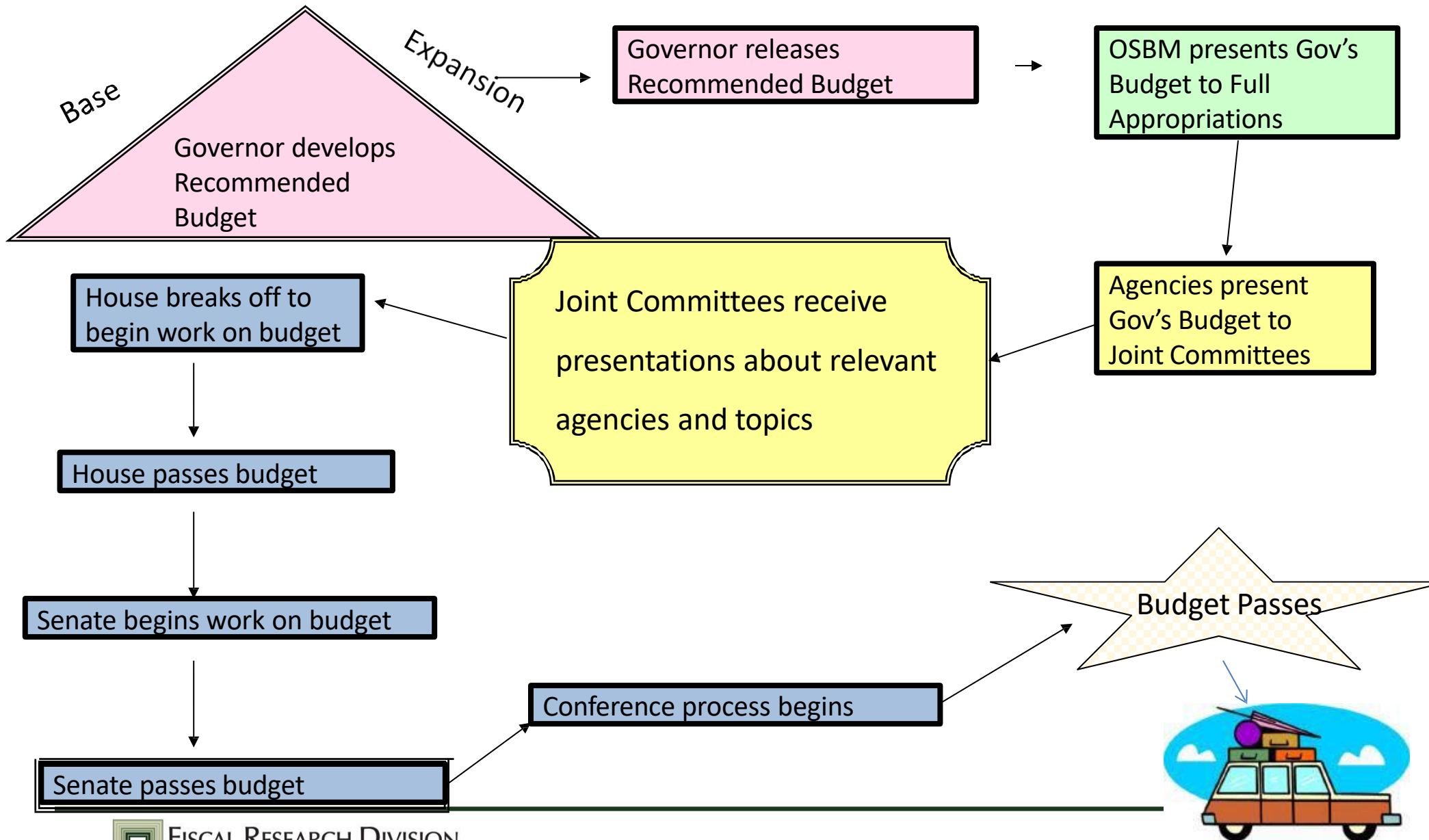
Legislative Consideration & Enactment

Budget Execution

Oversight



The Budget Process



Budgeting Terms – Appropriation, Requirements, and Receipts

An enactment by the General Assembly authorizing the withdrawal of money from the State treasury.

State Budget Act – Chapter 143C-1-1(d)(1)

“No money shall be drawn from the State treasury but in consequence of appropriations made by law.”

NC Constitution, Art. V, Section 7

Total Requirements – The entire agency’s budget for a fiscal year (July – June).

Total Receipts – Total of sources of funds available for operations of the agency.

Budget Terms: Base Budget

The part of the Governor's Recommended Budget that provides the baseline for the next biennium. Starting point is authorized budget plus allowable adjustments.

What's allowed:

- Annualization of partial funded programs, personnel, etc.
- Adjustments to non-recurring items
- Adjustments to federal payroll taxes
- Increases in lease agreements
- Adjustments for receipts projections
- Reconciliation of transfers



Preparation

Office of State Budget and Management (OSBM) is responsible for preparing the Governor's Budget that is recommended to the General Assembly.

For FY 2019-21 long session, budget work began last year:

August – OSBM issued instructions to agencies

October – Agencies prepared required worksheets, supporting documentation & determine departmental priorities

November – January – OSBM negotiates with agencies, finalize recommendations and meet with Governor

Feb/March – Governor's Budget will be final and prepared for printing

Feb/March – Appropriations subcommittees meet for briefings, deliberations, and make recommendations

June – GA will enact a biennial budget

**Approx.
11
Month
Process**

Budgeting Terms: Budget Types

Certified Budget: The budget as enacted by the General Assembly, plus any funds appropriated to reserves to be allocated to agencies.

Ex.: The 2017 Budget appropriates \$10,000 for Agency Y to buy 10 computers.

Certified budget = \$10,000.

Authorized Budget: The certified budget updated to reflect line-item reallocations approved by the Office of State Budget and Management (OSBM).

Ex.: Agency Y needs 11 computers. They want to take some money from the furniture budget to pay for it.

Authorized budget = \$11,000.



Actual Budget: The budget as it was implemented.

Ex.: The Division of State Purchase and Contract got the State a great deal on computers. The final cost for Agency Y's 11 computers is \$5,500.

Actual budget = \$5,500.

Budgeting Terms: Funds

General Fund – Main source of operating funds for most State agencies. Comprised of State tax revenue and State non-tax revenue.

Highway Fund and Highway Trust Fund – Sources of funding for NCDOT

Special Fund – Fund to which revenues are deposited that are designated for a specific purpose and remain in the account until expended for that purpose.

Enterprise Fund – Fund for any activity for which a fee is charged to external users for goods or services.

Example: Department of Information Technology
Certain Department of Administration services



Budgeting Terms: Accounts



Personal Services: Services rendered by permanent and temporary employees and related fringe benefits.

Purchased Services: Services provided by external firms, agencies, or divisions within the same organization. Includes contracts, IT and travel costs.

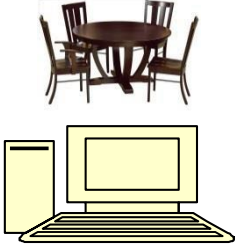
I don't
work here,
I'm a
consultant



Supplies: Supplies or materials expected to be consumed within the normal course of operating and which are generally recurring in nature.



Budgeting Terms: Accounts



Property, Plant and Equipment: Payments for acquiring property, constructing additions to buildings, and purchasing equipment, furniture, and machinery that is not consumable or expendable and has an expected life of longer than one year.



Other Expenses and Adjustments: Miscellaneous operational costs such as legal or permit costs, pension payments, or subscriptions.



Aid and Public Assistance: Funds to direct recipients, providers or other agencies for designated programs, assistance or special projects

Example: Powell Bill

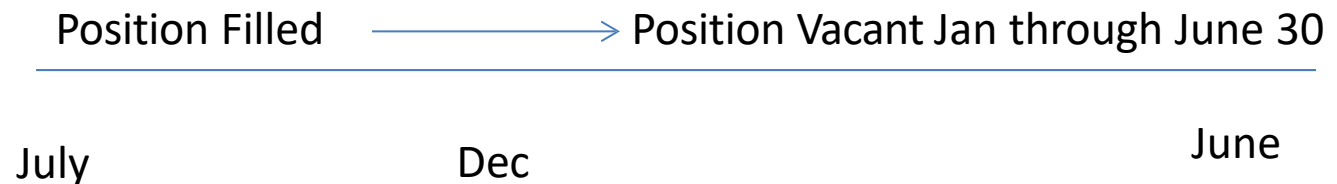


Budgeting Terms: Lapsed Salaries

Surplus funds resulting from the salary and associated benefits not expended for temporarily vacant positions. For example:

Accounting Tech position = \$40,000/year

Position vacant for 6 months = \$20,000 (lapsed salary for that position)

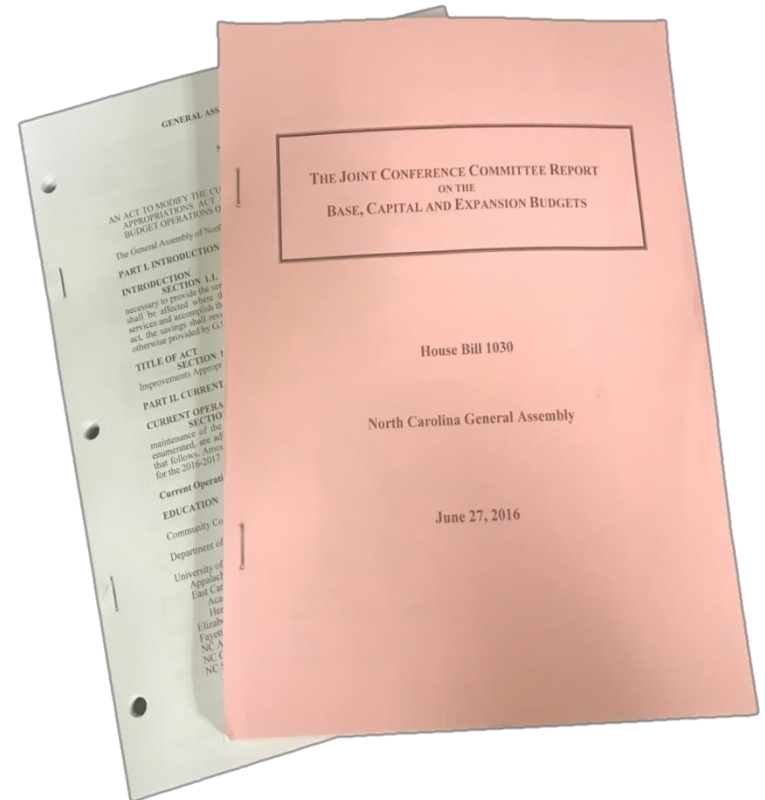
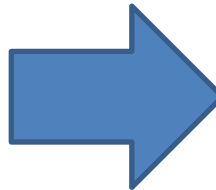
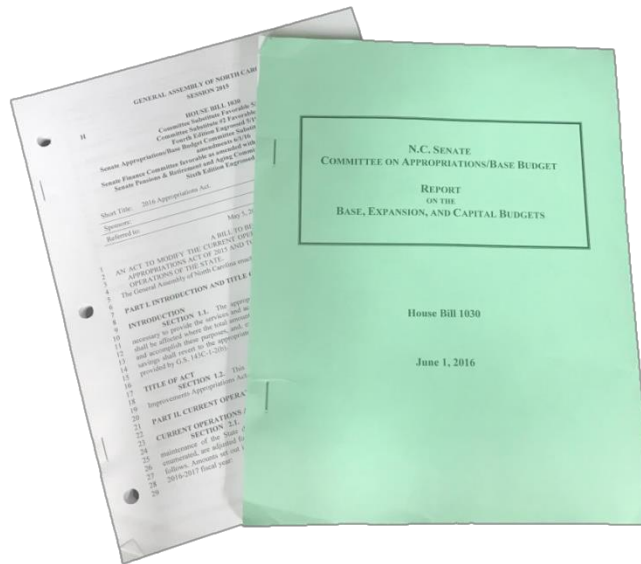
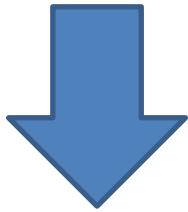
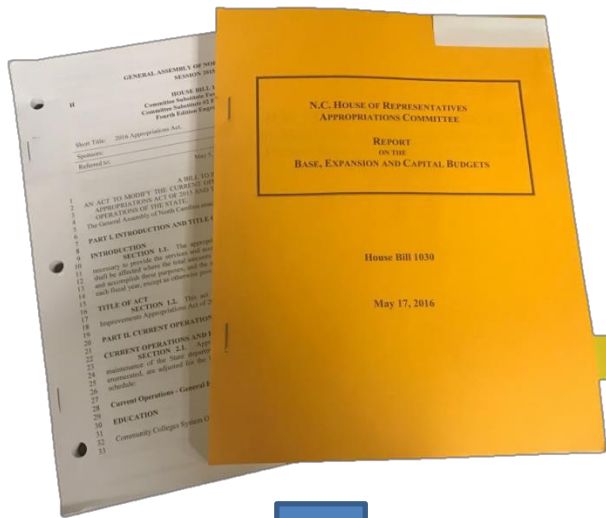


G.S. 143C-6-9: Use of lapsed salary savings.

Lapsed salary savings may be expended only for nonrecurring purposes or line items.

End Product – Budget Documents

Committee Reports Budget Bills



Recent Legislative Actions

- Build NC of 2018 – Special Indebtedness
- Transferred recurring funds of \$10 million from short-term vehicle rental tax proceeds from the General Fund to the Highway Fund.
- Established a new Bridge Preservation Fund to maximize bridge life (\$80 million in the first year and \$85 million in the second, recurring); provided \$38 million to replace deficient bridges and reduce the number of structurally deficient bridges to 10% by 2030.
- Increased funding by an additional \$40 million in FY 2017-18 and \$75 million in FY 2018-19 for capital improvements at commercial airports.
- Required the Hearings Unit to become entirely receipt-supported.
- \$8.6 million reduction in funding for each of the following four accounts within the Highway Fund: Mobility Modernization, State Maintenance Assistance Program in the Public Transportation Division, Bridge Program, and Contract Resurfacing.
- \$2.7 million reduction in funding for each of the following four accounts within the Highway Fund: Bridge Preservation, General Maintenance Reserve, Pavement Preservation, and Roadside Environmental.
- \$1.9 million appropriation to the Global TransPark for repairs and renovations.
- Increased funding by \$1 million recurring for devices used to improve highway safety.
- \$10M additional funding for Ports Authority.

Recent Legislative Actions

Significant Budget Actions – Special Provisions S.L. 2018-5

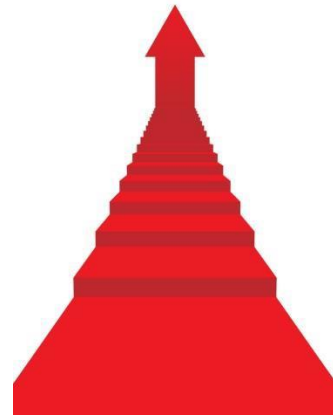
- **34.24:** Required DMV employees and contractors to vacate the New Bern Avenue property by October 1, 2020.
- **34.5:** Clarified that revenues from toll roads may only be used on the project that generated the tolls or on a contiguous toll facility.
- **34.19:** Authorized a two-year pilot program to allow DOT flexibility in setting salaries for employees who voluntarily relinquish longevity and career status.

Others: S.L. 2015-2 Modified the Motor Fuel Tax to formula-based which auto-adjusts annually.

S.L. 2015-241, Appropriations Act, requires many DMV fees to auto-adjust every 4 years based upon the Consumer Price Index. First adjustment will be in FY 2020-21.

Next Steps

- Committee Meetings – Tuesdays, Wednesdays, & Thursdays @ 8:30a
- Staff and Agency Presentations
 - Staff Overviews (including review of base budget)
 - Other Presentations to include:
 - Highways
 - Division of Motor Vehicles
 - Modal Divisions
 - Ports Authority
 - Global Transpark
 - Turnpike Authority
 - Department of State Treasurer
 - Required/mandated reports



Committee Website

Joint Appropriations Committees on Transportation website is linked off either the House or Senate committee websites.

Agendas

Paperless

All committee handouts

Follow-up information

Meeting audio

Mandated Agency Reports



<http://www.ncleg.net/gascripts/DocumentSites/browseDocSite.asp?nID=91>

House and Senate Appropriations Chairs' Guidance for Area Committee Chairs

February 7, 2019

Chairs' Expectations

Area Committees are expected to work jointly in reviewing agency budgets and operations by focusing on core functions of government and whether they are adequately funded. Committees should also look for efficiencies across State government, including looking at duplicative programs and evaluating if fund levels are appropriate for non-core services, including non-profits and other non-essential services.

Committee Work

- Begin planning with staff week of February 11; educational briefings should begin the week of February 25
- Rotate presiding over meetings
- Maintain transparency by having open meetings and posting documents to committee websites
- Consult other area committees for items that cross multiple agencies
- Refer certain items to the Full Chairs
 - Salary-related items, debt service, capital or other Statewide issues
- Plan to check in with the Full Chairs on your progress reviewing agencies and programs

Joint Educational Meetings (items for potential review)

- Fiscal Research staff will provide relevant budget background
- Review past legislative budget and policy actions
- Review interim committee reports
- Review federal changes impacting states
- Hear Governor's Budget (when appropriate)
- Evaluate agencies by looking at the programs and services they provide. For each program/service, look at:
 - Does this program fulfill a Constitutional requirement?
 - Is this program required by federal mandate? State mandate?
 - Is this program appropriately funded to complete its mission?
 - Do program outcomes justify expenditures?
 - For mandatory programs, are there ways to manage growth and reduce expenditures?
 - Is the set of services or programs the State offers an effective way to address the issue?
 - Can some programs be eliminated?
 - Can the savings from those programs be used more effectively to run other programs?

Guidance Forthcoming

- Spending targets
- Subcommittee deliberations and voting
- Special provisions

Contact Information

Fiscal Research Division
(919) 733-4910

